

ATTACHMENT 1

Summary of Public Broadcasting's Digital Transition Plans

SUMMARY OF PUBLIC BROADCASTING'S SUBMISSION TO OMB IN SUPPORT OF FEDERAL FUNDING FOR THE DIGITAL TRANSITION

Telecommunications in the United States and abroad are in the midst of a revolution, driven by rapid advances in digital technology. These far reaching changes are already forcing us to redefine traditional concepts such as "broadcaster" and "program," and are requiring entire industries — telephones and computers, as well as radio and television — to position themselves for the digital future. At this critical juncture, there is a unique opportunity for a national investment in Public Broadcasting to ensure that the educational needs of the American public are met through the use of digital technology.

For 30 years, Public Broadcasting has utilized the most current technology to ensure that learners of all ages and abilities, and from every socioeconomic level and geographic location, have access to the highest quality, noncommercial educational and cultural programming. Public Broadcasting has always been a pioneer in the use of technology to serve the public interest, and we stand ready to harness the forces of digital technology to continue to educate, enlighten and inform our nation's citizens.

This coming transition to digital broadcast technology stands to revolutionize how we accomplish our core mission. It will greatly affect each station and all the national organizations. In anticipation of this revolution, Public Broadcasting has undertaken a comprehensive planning process to shape our digital future. This process was guided by the Digital Broadcasting Strategic Planning Steering Committee (Digital Steering Committee) composed of representatives of the four national organizations, APTS, PBS, CPB and NPR, as well as station representatives involved in digital technology.

Public Broadcasting proposes a public/private partnership with the federal government to uphold universal access to quality public service programming in the digital age.

Digital technology is not a frill, but a technological imperative. The FCC's mandate that all stations convert to digital programming by 2003 imposes a tremendous financial burden on virtually all public broadcast stations. Public Broadcasting estimates the initial infrastructure investment required to make the transition to digital technology at \$1.7 billion.

Unlike commercial broadcasters, public broadcasters are nonprofit or state or local government entities that rely on a grassroots funding structure. Because of these structures, stations are constrained in their ability to finance such a major capital expenditure. The cost of the digital transition will force many stations to either relinquish their digital license or divert already scarce funds from programming and operating budgets.

Some would ask why a renewed government commitment to Public Broadcasting is necessary in the digital age, which promises an unprecedented capability for expansion of commercial channels. The answer is simple. Public Broadcasting is the only entity that can assure that all Americans can have access to high quality educational and cultural resources. The federal government's 30-year history of support for Public Broadcasting recognizes the fundamental tenet: the commercial marketplace cannot be relied upon to provide high quality, noncommercial educational services in the public interest. By investing in Public Broadcasting's transition to digital technology, the federal government can ensure that this revolutionary technology is used to advance the nation's goals of educating the American public.

Public Broadcasting is well positioned to harness the forces of new technology to meet the nation's educational goals.

Digital technology will allow Public Broadcasting to offer all Americans a greatly expanded, interactive and richly detailed world of learning. Through a rigorous analysis, we identified a range of services most appropriate for Public Broadcasting to provide in a digital age. We focused on the needs that are not met or inadequately met in the commercial marketplace, and services that Public Broadcasting is well positioned to provide to meet those needs. We grouped the most compelling services into four major categories and put forward a number of ambitious goals in each category.

Goal: All American children, parents and caregivers will have access to the full complement of the Ready to Learn service.

Public Broadcasting's "Ready to Learn" programming and outreach services are designed to assure school readiness and success for children, particularly ages 2-6. Digital technology's multicasting capability will allow Public Broadcasting to make a more customized and robust Ready to Learn service available to all children, parents and caregivers.

Goal: Technology should be effectively integrated into K-12 education.

Public Broadcasting has a long and successful track record using the latest technologies to provide K-12 educational programs. Approximately 30 million students and 2 million teachers in 70,000 schools are served by public television. Digital technology will allow Public Broadcasting to make these services universally available to all schools and to enhance their value through the integration of video-based programs with online and broadcast data.

Goal: All Americans should have access to lifelong learning resources.

Today, Public Television is the largest source of telecourses in the nation. PBS' Adult Learning Service provides more than 70 accredited telecourses to 400,000 post-secondary students annually. This does not include the hundreds of telecourses, reaching millions of adult learners, offered annually by individual public television stations. Digital technology will allow Public Broadcasting to increase the reach of its post-secondary telecourses so they are universally available to all adult learners.

Goal: All Americans should have access to public service programming.

Public Broadcasting is, and always has been, committed to serving the unserved and underserved populations in our country: those who because of economic, geographic, physical, cultural or language barriers have been left behind by the commercial marketplace. With digital technology, Public Broadcasting can expand and enhance its commitment to serve these populations and ensure that educational digital programming and services are available to all Americans.

The federal government is a necessary partner for the digital transition.

Public Broadcasting must continue its technological leadership in digital broadcasting and preserve the universal reach provided by its stations. Public Broadcasting's transition to digital broadcasting will require an initial investment of more than \$1.7 billion.¹ The cost estimates were developed using PBS cost analysis, a survey of the entire public television system, and an analysis of the best radio data available. The breakdown of these costs is shown in the table below.

Transition Costs
(\$ millions)

Category	Cost
Basic transmission package	\$575
Master Control	252
Production equipment	498
DTV Operation	339
Radio	50
Grand Total	\$1,715

¹ Because of the difficulty in measurement, this figure does not include the increased costs associated with program acquisition in a digital environment: the costs of producing programs in high definition, increased costs to acquire multicast programming, and additional costs required to enrich or add data to programs. On behalf of the Digital Steering Committee, CPB has requested an increase of \$100 million (for a total of \$400 million) in its appropriation for FY 2001 as a first step in addressing the increased program costs.

Our approach to this financial hurdle is designed to preserve the federal government's historic role as a crucial partner with us. We therefore requested that the President include 45 percent of the \$1.7 billion transition cost, or \$771 million in the FY 1999 budget. We estimate that we will outlay the funds over a three-year period; 50 percent in FY 1999, 30 percent in FY 2000, and 20 percent in FY 2001. Public Broadcasting arrived at the \$771 million request by dividing the cost of the transition by one-half to reflect a local match of 50 percent, and further subtracting 10 percent to reflect cost efficiencies and savings we anticipate from the transition.

Public Broadcasting will match the federal funding through a combination of individual contributions, corporate underwriting, state funding, and foundation grants. In addition, Public Broadcasting plans to convert the many challenges of the digital transition into opportunities to achieve efficiencies and potential cost savings. Potential efficiencies, that many stations have already begun to explore, include, but are not limited to:

- group purchase discounts with appropriate equipment vendors;
- collaborative arrangements with both public and commercial broadcasters;
- collaborative arrangements with private sector partners; and
- streamlining operations.

While it is difficult to predict whether and to what extent Public Broadcasting will fully realize such efficiencies, we anticipate achieving a net cost savings of 10 percent.

It has been well established by both Congress and successive Administrations that universal access to public service programming is an important and desirable goal. According to a recent Roper poll, the American public believes that among 20 services supported by the federal government, public radio and public television are the second and third best values in return for tax dollars spent. With our 30-year record as a leader in education and technology, we look forward with anticipation to continuing our service to the American people in the digital age.

Potential Educational Benefits of the Digital Transition

The table below represents an educational case that can be made for funding the digital transition. It is recognized, however, that there are other cases that can be made based on community service, public access, local government coverage, or other ideals.

Educational Goals	Public Broadcasting Expertise and Track Record	Benefits of the Conversion to Digital Technology
All American children will begin school ready to learn by the year 2000.	<p>-Public Broadcasting's "Ready to Learn" programming and outreach service is already assuring school readiness and success for children, particularly for ages 2-6.</p> <p>-Participating stations broadcast PBS children's series each day and work with community organizations, social service agencies, and day care providers to train parents, educators, and child care providers how to use Public Television to create an educational environment in the home.</p> <p>-Currently, 120 participating stations cover 88% of the country, and over the past three years public television stations have trained 44,000 parents and 74,000 teachers and caregivers, affecting over 50 million children.</p>	<p>1. Multicasting will allow stations to carry the full complement of "Ready to Learn" programming.</p> <p>2. Digital television will allow stations to provide more training to parents, educators and child care providers in a more efficient and cost-effective manner.</p> <p>3. Data delivery capabilities will enhance the quality of "Ready to Learn" and make it possible to customize the service.</p>
Technology should be effectively integrated into K-12 education.	<p>-Public Broadcasting has already integrated technology effectively into K-12 learning environments.</p> <p>-Approximately 30 million students and 2 million teachers in 70,000 schools are served by Public Broadcasting.</p> <p>-Public Broadcasting has pioneered the use of technology to deliver teacher training through groundbreaking programs such as PBS-MATHLINE.</p>	<p>4. Multiplexing will allow additional stations to provide K-12 services to more students.</p> <p>5. Digital technology will enhance the value of these services by allowing for the integration of video-based programs with online and broadcast data.</p>
All Americans should have access to lifelong learning resources.	<p>-Public Television is already the largest source of telecourses in the nation.</p> <p>-PBS' Adult Learning Service provides more than 70 accredited telecourses to 400,000 post secondary students annually.</p> <p>-Public Broadcasting is a leader in both adult literacy, through its "Literacy Link" initiative, and workforce training, through groundbreaking initiatives such as "The Business Channel" and "Ready to Earn."</p>	<p>6. Digital technology will allow Public Broadcasting to offer post secondary telecourses to thousands more adult learners.</p> <p>7. Digital technology will significantly enhance telecourses through the integration of data and online content into the programming.</p>
All Americans should have access to public service programming.	<p>-Public Broadcasting is and has been committed to serving the unserved and underserved populations in our country: those who because of economic, geographic, physical, cultural or language barriers have been left behind by the commercial marketplace.</p> <p>-Public Broadcasting pioneered the development of open and closed-captioning for the deaf or hard of hearing, descriptive video service (DVS) and radio reading service for the blind or visually impaired.</p>	<p>8. Digital conversion will allow Public Broadcasters to make noncommercial educational, digital programming and data available to all — including those who cannot afford cable, DBS, computers or Internet access.</p> <p>9. Digital technology will allow Public Broadcasting to expand its commitment to serving our nation's physically challenged.</p> <p>10. Digital technology can make programming and information available to non-English speaking populations.</p>

ATTACHMENT 2

Sample Digital Schedules for Maryland Public Television and Oregon Public Television

ANALOG

*Current system,
One channel, No HDTV*

MPT

PBS National Program Service

Charlie Horse Music Pizza

Barney & Friends

Sesame Street

The Puzzle Place

Reading Rainbow

Teletubbies

Wimzie's House

Arthur

Kratts' Creatures

Wishbone

Bill Nye the Science Guy

The NewsHour with Jim Lehrer

Newsnight Maryland

MPT
Maryland Public
Television

NOVA

Great Performances

*In the Footsteps of
Alexander the Great*

DIGITAL TV

*DTV will allow MPT to multicast four different streams
simultaneously, and then switch to one high definition*

MULTICASTING

MPT - 1

**Children's Channel
PBS Ready To Learn**

Charlie Horse Music Pizza

Barney & Friends

Sesame Street

The Puzzle Place

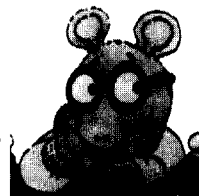
Reading Rainbow

Teletubbies

Wimzie's House

ARTHUR

*Popular
award-
winning
children's
show*



Kratts' Creatures

Wishbone

Bill Nye the Science Guy

Tots TV

MPT - 2

Maryland Public Service

Maryland State Circle

Maryland Public Affairs

*Local
Government
Hearings*

Outdoors Maryland

Electronic Town Hall Meetings

Healthy Community Initiatives

State Legislature

Maryland Congressional Review

NEWSNIGHT MARYLAND

*In-depth
public
affairs
& state
news*



HIGH DEFINITION

NOVA

Great Performances

In the Footsteps of Alexander the Great

DATACASTING

Available while broadcasting

Maryland
Public
Television
(MPT)
sample
program
schedule
shown for

OPB-TV ATV Digital Channels Prototype Schedule A

TIME	Ready To Learn	Adult Education	Ready To Earn	How-to & Lifestyles
0600	Plaza Sesamo	Destinos (Beginning Spanish)	OGI Telecourse # 1	Trailside
0630	Storytime	Destinos (Advanced Spanish)	OGI Telecourse # 2	On the Internet
0700	Sesame Street	Alles Gute (German)	Nursing 1	Computer Chronicles
0730		Learn Japanese	Nursing 2	Motorweek
0800	Barney & Friends	French in Action	Business File	Best of Joy of Painting
0830	Lamb Chop	Beginning Chinese (Mandarin)	Business & Law	Simply Painting Watercolors
0900	Shining Time Station	Personal Finances	The Sales Connection	Jenkins Art Workshop
0930	Puzzle Place	Discovering Psychology	Small Business Today	Welcome to My Studio
1000	Wishbone	Pacific Century Telecourse	Oregon Center Advanced Tech Educ (OCATE)	Sewing with Nancy
1030	Newton's Apple		Educational Tech: What's New	Quilt in a Day
1100	Mister Rogers	Economics USA	Rural Communities Legacy & Change	Sewing Connection
1130	Magic School Bus	Inside the Global Economy		The Collectors
1200	Dudley Dragon	Literary Visions	PSU Graduate Level # 1	Victory Garden
1230	Katie & Orbie	Writers Exchange	U of O Microbiology Graduate Course	New Garden
1300	Storytime (R)	News Writing	Paralegal In-Service	Naturescene
1330	Kratt's Creatures	The Earth Revealed		Wild Kingdom
1400	Arthur	Planet Earth	Oregon Center Advanced Tech Educ (OCATE)	Pierre Franey
1430	Dragon Tales	Living With Health	Daycare Provider Training	Hawaii Cooks
1500	Sesame Street (R)	The Western Tradition (Part 2)	Introduction to Computer Programming	Chef Prudhomme
1530		Works in Progress	Intermediate Computer Programming	Yann Can Cook
1600	Reading Rainbow	Faces of Culture	Special Events TBA Video Conferences	Woodwright
1630	Wishbone (R)	College Algebra		New Yankee Workshop
1700	Bill Nye the Science Guy	Ethics in America - Telecourse	Teacher In-Service # 1 (PSU)	This Old House
1730	Where In Time Is Carmen Sandiego?		Teacher In-Service # 2 (PSU)	Hometime

ATTACHMENT 3

**"PTV Stations Gearing Up for DTV Funding Battle
in States," Communications Daily, Jan. 4, 1999**

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Communications Daily

January 4, 1999, Monday

SECTION: TODAY'S NEWS

LENGTH: 779 words

HEADLINE: PTV STATIONS GEARING UP FOR DTV FUNDING BATTLE IN STATES

BODY:

PTV stations are looking for Santa to come late this winter, carrying "digital sack," in words of Ind. Public Bcstg. Stations Exec. Dir. Joe Maschevitz. In virtually every state, stations seek substantial state aid for DTV transition this year, generally many times traditional yearly appropriations, with at least 2 states -- Ky. and N.C. -- requesting more than \$60 million over next few years. Key date looms: presentations of governors' budgets, when stations hope to see their requests at least show up as negotiable line item, if not fully funded. "Once it's in there, the legislature then knows it's a line discussion item," Maschevitz said. "If not, the governor is sending a message that it's not a priority."

This year is seen as extremely important, with many stations needing to begin upgrading immediately if they are to comply with FCC requirements that they transmit DTV signals by 2003. Many submitted cost estimates last year, but we're told those were largely intended as warm-up efforts to begin informing lawmakers of need and of benefits of DTV. "By putting our request in last year, we made a lot of progress in explaining what we wanted and why," Me. Pres. Rob Gardiner said. With many legislatures meeting only every other year and wanting to take care of problem all at once, stations have had to submit plans that in some cases go through 2006, although budgets remain extremely speculative. "Some of the stuff we're talking about hasn't even been invented yet," Ky. Network Exec. Dir. Ginni Fox said. Even where states would allocate only portion of money this year, they're seen to be virtually certain to continue funding transition once first money is released. "Once we make the commitment [to upgrade], you can't stop halfway" or first money would be wasted, Ark. Educational TV Deputy Dir. Allan Weatherly said.

Stations in most states have formed 2 budgets: one that merely allows compliance with FCC requirement, and more ambitious one that includes upgrade of production facilities. Politically, former is seen as easier to find state funding for, and many stations are assuming latter bill will have to be paid for with unprecedented capital campaigns, as well as whatever federal money

Communications Daily, January 4, 1999

may appear. There's concern that many stations will end up as mere "sticks," doing little more than passing along PBS programming, production of which will be centralized even more among few stations, such as WGBH-TV Boston and WNET N.Y.C. If local production isn't possible, "what's the excitement in that?" asked Thomas Freedmeyer, exec. dir. of Wis. Network: "You've lost the rationale in why you'd even be interested in DTV." State networks and other stations that historically have had equipment paid for by state are seen as far more likely to get production funding. Fox has asked Ky. legislature to pay production upgrade costs. "If you won't ask, you won't get," she said: "I don't feel the least bit apologetic about it."

Even transmission bill won't be paid for solely by most states, and some stations are having to strike deals with lawmakers to get anything. For example, Fla. stations estimate they need \$60 million to meet FCC mandate, plus another \$40 million for digital production capability. "Obviously, these numbers [\$100 million] are not politically viable," state Public Bcstg. System Exec. Dir. Jim Moran said. They're asking state for \$20 million, expecting to get \$20 million from federal govt. and raise \$20 million locally, with production costs not even considered yet. State request is backed by Dept. of Education, which Moran said accepted proposal for \$5 million this year, \$9 million next year, \$6 million 3rd year. In return, he said, stations have offered Education Dept. and local school districts digital channel to "use as they see fit" and will operate network for them. N.Y. stations have made similar promise that would tie them even closer to Dept. of Education, including helping to create curriculum.

Estimates of overall PTV need haven't changed since last year's projection of about \$1.7 billion. Although guesses on how much funding will come from federal govt. are all over map, few believe it will cover even half of transition, and many are assuming they will get little or nothing from Washington, at least in short term. That means that, in this year's state appropriations, "failure is not an option," in words of Ala. PTV Exec. Dir Judy Stone.

LANGUAGE: ENGLISH

LOAD-DATE: January 1, 1999

ATTACHMENT 4

**Comments and Reply Comments of
Association of America's Public Television Stations
and Public Broadcasting Service, in
MM Docket No. 97-247 (filed May 4, 1998
and Aug. 3, 1998)**

DUPLICATE ORIGINAL

RECEIVED

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

MAY - 4 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Fees for Ancillary or Supplementary) MM Docket No. 97-247
Use of Digital Television Spectrum)
Pursuant to Section 336(e)(1))
of the Telecommunications Act of 1996)

TO: The Commission

COMMENTS OF
THE ASSOCIATION OF AMERICA'S PUBLIC TELEVISION STATIONS
AND THE PUBLIC BROADCASTING SERVICE

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May 4, 1998

SUMMARY

The Commission should grant public television licensees an exemption from any obligation to pay a fee in connection with ancillary or supplementary services offered on their excess digital capacity. Such an exemption would be consistent with the statutory provision requiring the establishment of a fee collection program. Section 336(e)(2) of the Telecommunications Act of 1996 provides that such a program must serve certain purposes. As discussed herein, the specified purposes plainly would not be served by imposition of a fee on noncommercial licensees that use revenue from ancillary or supplementary services to support their mission-related activities. It would therefore be contrary to congressional intent to assess such a fee.

An exemption for public television licensees would be consistent with other congressional and regulatory policies. Congress has articulated a policy of universal access to public television and has provided longstanding federal funding in support of that policy. The Commission has recognized in other contexts that imposing fees on entities that receive federal funding in support of activities that serve the public interest would be inappropriate, since it would dilute the financial support provided by Congress. The same rationale supports a fee exemption for public television licensees that use excess digital capacity to generate revenue to support their mission-related activities.

There is no basis for concluding that a fee exemption for public television licensees would have any adverse effect on other providers of ancillary or supplementary services and any prediction of such an effect would be pure conjecture. In any event, there is no inappropriate commercial benefit to public television licensees where the revenue they receive is used to support their mission-related activities. Rather, it is the public who would benefit from public televisions licensees' ability to retain revenue to support their mission-related activities.

To support the grant of a fee exemption, the Commission should require simply that the licensee (1) hold a noncommercial educational broadcast license from the Commission, (2) receive a community services grant from the Corporation for Public Broadcasting, and (3) use its revenues received in connection with ancillary or supplementary services to support the licensee's mission-related activities. A written certification on these points by a responsible official of the licensee should be sufficient.

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**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of)	
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Fees for Ancillary or Supplementary)	MM Docket No. 97-247
Use of Digital Television Spectrum)	
Pursuant to Section 336(e)(1))	
of the Telecommunications Act of 1996)	

TO: The Commission

**COMMENTS OF
THE ASSOCIATION OF AMERICA'S PUBLIC TELEVISION STATIONS
AND THE PUBLIC BROADCASTING SERVICE**

The Association of America's Public Television Stations ("APTS") and the Public Broadcasting Service ("PBS") submit these comments in response to the Federal Communications Commission's Notice of Proposed Rulemaking, released on December 19, 1997, in the above-captioned proceeding ("Notice"). APTS and PBS are nonprofit membership organizations whose members are licensees of virtually all of the nation's public television stations. APTS serves as the national representative of these stations, presenting their views and participating in proceedings before Congress and executive and administrative agencies, and in other venues. PBS provides national program distribution and other program-related services to the nation's public television stations and the general public.

The Telecommunications Act of 1996 ("the 1996 Act") requires the Commission to adopt rules permitting digital television licensees to "offer such ancillary or supplementary services on designated frequencies as may be consistent with the public interest, convenience, and necessity," 47 U.S.C. § 336(a), and to establish a program to assess fees in connection with such services, id. § 336(e). APTS and PBS file

these comments to urge the Commission to exempt public television licensees from an obligation to pay fees on revenue-generating ancillary or supplementary services when the licensee uses the revenues from these services as a source of funding for activities related to its non-profit, educational and public service mission ("mission-related activities"). As explained in these comments, such an exemption would be consistent with the terms of the 1996 Act, as well as with other congressional and regulatory policies.¹

I. INTRODUCTION.

A. Public Television's Leadership in Digital Technology.

For over 30 years, public television has been an active participant in the development and use of innovative technologies to serve the goals of education and public service. Using the most current technology, public television ensures that viewers of all ages and abilities, from every socioeconomic level and geographic location, have access to the highest quality noncommercial educational and cultural programming. Public broadcasters employ a combination of technologies, including broadcast, satellite networks, DBS, cable, datacasting, closed captioning, interactive video discs, and the Internet, to educate millions of children and adults at home, in classrooms, in daycare centers, and at work.

This tradition of leadership continues in the development of digital technology. Among other things, public television has played an active role in developing the digital transmission standard and in testing various forms of digital

¹ APTS and PBS initially outlined the need for such an exemption in their Petition for Reconsideration and Clarification of the Commission's Fifth Report and Order in the digital television proceeding. See In the Matter of Advanced Television Systems and Their Impact Upon the Existing Television Broadcast Service, MM Docket No. 87-268, Petition for Reconsideration and Clarification of APTS and PBS, filed June 13, 1997, p. 28 n.29.

technology.² Indeed, public broadcasters were the first North American broadcasters to develop all-digital networks and technical facilities. And several major market public television stations are currently on the air transmitting digital signals with experimental licenses.

B. Public Television's Plans for Use of Digital Technology to Further Its Educational and Public Service Mission.

In anticipation of the upcoming conversion to digital, public broadcasting has undertaken a comprehensive planning process to shape its digital future. The analysis sought to identify educational programming needs that are not met, or are not adequately met, in the commercial marketplace and that public broadcasting is uniquely well-positioned to meet. As a result of this planning process, public broadcasting expects to focus particular attention on using digital technology in connection with (1) early childhood services (including expansion of the Ready to Learn service); (2) technology integration in K-12 education (with the goal of making enhanced K-12 services available to all schools); (3) workforce education and training (with the goal of increasing the reach of post-secondary telecourses and workplace training so that they will be available to all adult learners and workers); and (4) accessibility to digital services by unserved and underserved audiences (particularly physically challenged and non-English speaking people).

² Public broadcasters played an active role in developing the transmission system for digital advanced television known as the "Grand Alliance" system, and served on the Commission's Advisory Committee on Advanced Television Service, whose recommendations gave rise to the adoption of the "ATSC Standard." In addition, PBS was one of the founding members of the Advanced Television Test Center, which conducted laboratory tests of the Grand Alliance System. PBS also conducted field tests of the Grand Alliance system in Charlotte, North Carolina. WMVT, the public television station in Milwaukee, was the first broadcaster to provide an HDTV satellite test signal. And KCTS in Seattle was the first public broadcaster to begin transmitting digital signals using the ATSC standard, and was the first station in the United States to produce HDTV programming.

Public television expects to use digital technology in a variety of ways in fulfilling its educational and public service mission. High definition television will significantly enhance viewers' enjoyment of many public television signature programs that are well suited to this new technology. This includes, in particular, programs focused on the performing arts, drama and theater, science and nature, and travel and exploration.

Digital technology also will allow multicasting of standard definition programming, allowing public television to bring significantly more public service educational programming to new audiences. For example, on a single digital channel a public broadcaster could carry, in addition to its current programming, a dedicated children's channel, an adult lifelong learning channel, and a local programming channel. Multicasting will also permit public television to provide a more comprehensive Ready to Learn service to children, parents and caregivers³ and will allow more stations to provide K-12 services to more elementary and secondary students throughout the country.

In addition, digital technology will enable public television to expand the way in which it communicates with audiences. The ability to integrate video-based programs with on-line data will allow students and teachers to download course material, textbooks, teacher and student guides, and teacher training material embedded in instructional programming.⁴

³ Although many public television stations can offer the basic video portion of the Ready to Learn service, some stations are unable to offer a full range of Ready to Learn programs due to limited channel capacity and the commitment to meet other educational needs of their viewers. Multicasting will make it possible for stations to carry the full complement of Ready to Learn programming.

⁴ The data delivery capability of digital technology will enhance the quality of Ready to Learn, making it possible to customize the service and provide interactive

APTS and PBS anticipate that some public television licensees will also choose to use a portion of their digital capacity to offer revenue-generating services as a means of supporting their mission-related activities.⁵ This is similar to the practice by which some public television stations lease excess capacity on the vertical blanking interval ("VBI") of their current broadcast channel.⁶ It is also similar to PBS's practice of leasing excess capacity on its satellite transponders to commercial programming and other service providers.⁷ The revenues generated through leasing of this excess VBI and satellite capacity are used to defray costs associated with public television's mission-related activities. Use of excess digital capacity to offer revenue-generating

training and other supplemental material to parents and caregivers to address specific needs of children. For example, data embedded in *Sesame Street* will allow caregivers to download educational exercises and games during the program.

⁵ The Commission has indicated that it will defer to a separate rulemaking consideration of the permissible uses of the digital spectrum by public television licensees. APTS and PBS will be filing comments in response to any such notice of proposed rulemaking and therefore will not address here the issue of permissible spectrum use. For purposes of these comments, we assume public television licensees have full flexibility to use excess digital capacity to provide ancillary or supplementary services. See 47 U.S.C. § 336(a); 47 CFR 73.624(c).

⁶ PBS, through a for-profit subsidiary -- National Datacast, Inc. ("Datacast") -- manages nationwide commercial data distribution and broadcasting services utilizing stations' VBI. Noncommercial educational television stations provide some of their excess VBI capacity to Datacast. Datacast then provides services utilizing this capacity for a fee to electronic information services and programming providers, which offer services, such as programming guides to television viewers and educational content and other information services to computer users. In addition to transmitting their own program information, Datacast's customers transmit some educational programming created by PBS. A portion of the revenues Datacast receives are paid to PBS and individual public television stations.

⁷ PBS primarily uses its satellite transponder capacity to transmit public television programming to public television stations around the country. Capacity that is not needed for public television uses is leased at reduced rates to national educational satellite programmers to distribute educational programming. If capacity remains after these needs are met, PBS enters into short-term lease arrangements with commercial programming providers. The revenues generated through leasing capacity on the PBS transponders are used to reduce the annual fees paid to PBS by its member stations.

services could provide a further source of revenue that public television stations could use to help fund these activities.

II. PUBLIC TELEVISION LICENSEES SHOULD BE EXEMPT FROM ANY OBLIGATION TO PAY FEES IN CONNECTION WITH OFFERING ANCILLARY OR SUPPLEMENTARY SERVICES ON THEIR EXCESS DIGITAL CAPACITY.

A. Creation of an Exemption Would Be Consistent with the Terms of the 1996 Act.

An exemption from any fee obligation for public television licensees is consistent with the terms of the 1996 Act. The statute requires that the Commission establish a program to collect a fee where a licensee's digital spectrum is used for ancillary or supplementary services. However, any fee program or schedule must "promote[] the objectives described in subparagraphs (A) and (B) of paragraph (2)." 47 U.S.C. § 336(e)(1).

Under Section 336(e)(2), the purposes to be served by any fee collection program are (a) to "recover for the public a portion of the value of the public spectrum resource made available for . . . commercial use;" (b) to "avoid unjust enrichment;" and (c) to "recover for the public an amount" that equals (so far as possible) the amount that would have been received if the services in question had been subject to competitive bidding under 47 U.S.C. § 309(j). These purposes clearly do not support imposition of any fee in connection with ancillary or supplementary services offered by noncommercial stations that use the revenue from these services to support their mission-related activities.

Where the revenue is used to support noncommercial services that Congress has declared to be in the public interest, there is no need to "recover" anything for the public; that revenue already is being devoted to public purposes. Furthermore,

since these revenues help to support noncommercial activities, the provision of ancillary or supplementary services would not result in any "unjust enrichment" of the stations. Finally, the provision governing the amount to be recovered through any fee makes no sense in the context of public television. For public television licensees, there is no amount that fits the standard stated under Section 336(e)(2)(B), i.e., the amount that would have been received if the excess digital spectrum had been subject to competitive bidding pursuant to 47 U.S.C. § 309(j). Under 47 U.S.C. § 309(j)(2), the Commission's competitive bidding authority does not apply to licenses issued for a "noncommercial educational broadcast station" or "public broadcast station." See Balanced Budget Act of 1997, Pub. L. No. 105-33, § 3002(a)(2)(C), 111 Stat. 258 (exemption for "stations described in section 397(6) of this Act").

Because the statutory purposes to be served by any fee collection program plainly are not applicable to services provided by public television licensees, it would be contrary to congressional intent to assess a fee in connection with those services. The statute itself therefore requires an exemption from fees on ancillary and supplementary services offered by public television licensees that use revenues from these services as a source of funding for their mission-related activities.

B. Creation of an Exemption Would Be Consistent with Other Congressional and Regulatory Policies.

An exemption from fees relating to ancillary or supplementary services offered by public television licensees would be consistent with both broader congressional policies and other exemptions that the Commission has established. There is a longstanding congressional policy to provide federal financial support for public television. Congress has stated explicitly that it is necessary and appropriate for the federal government to "complement, assist, and support a national policy that will most effectively make public telecommunications services available to all citizens of the

United States." 47 U.S.C. § 396(a)(7).⁸ Congress repeatedly has reaffirmed its commitment to universal access to public service programming in its appropriations deliberations and in its reauthorization of funding.⁹ Public broadcasters' efforts to generate revenues from ancillary or supplementary uses of the digital spectrum to support their mission-related activities are consistent with this national policy.

The Commission has recognized on various occasions that placing an assessment on revenues used to support federally funded activities that serve the public interest would be inappropriate and has granted exemptions on that basis. For example, the Commission recently concluded that nonprofit educational institutions should not be required to contribute to universal service support based on revenues derived through leasing of excess capacity. The Commission explained that requiring these nonprofit entities to make a universal service contribution would have the effect of reducing the amount of universal service support they receive and therefore would be counterproductive. See In the Matter of Federal-State Joint Board on Universal Service, Fourth Order on Reconsideration and Report and Order, CC Docket No. 96-45, et al., ¶ 284 (rel. Dec. 30, 1997).¹⁰

⁸ See The Educational Television Facilities Act, Pub. L. No. 87-447, §392(d), 76 Stat. 64, 66 (1962) (authorizing funds for the construction of educational television stations to ensure service to the "greatest number of persons"); Public Broadcasting Act of 1967, 47 U.S.C. § 390 (1994) (providing additional funding to "improve the facilities and program quality of the Nation's educational broadcasting stations"); Public Telecommunications Facilities Act of 1992, 47 U.S.C. § 396(a)(9) (1994) (stating that "it is in the public interest for the Federal Government to ensure that all citizens of the United States have access to public telecommunications services through all appropriate available telecommunications distribution technologies").

⁹ Since 1967, Congress has appropriated approximately \$4.67 billion (through FY 1998) to fund public service programming through the Corporation for Public Broadcasting, and approximately \$734.8 million (through FY 1998) for the planning and construction of public television and radio facilities, including the public broadcasting satellite distribution system.

¹⁰ The Commission also exempted noncommercial educational television stations

The Commission consistently has concluded that "exacting fees from noncommercial educational applicants would dilute the financial support offered by Congress."¹¹ The Commission has recognized that this concern formed the basis for Congress' decision to exempt public broadcasters from the application and regulatory fees that are paid by commercial communications entities.¹² Among other things, the Commission has observed that these congressional exemptions were "apparently intended to enhance the financial support for these services beyond that provided by the Corporation for Public Broadcasting ("CPB") and National Telecommunications Information Administration ("NTIA") facilities grants."¹³

The rationale described by the Commission supports a fee exemption for public television licensees that use excess digital capacity to offer ancillary or supplementary services to support their mission-related activities.¹⁴ In recent years,

from a universal service obligation. See id. ¶ 283.

¹¹ See In the Matter of Establishment of a Fee Collection Program to Implement the Provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, Docket No. 86-285 ("Application Fees Proceeding"), 3 FCC Rcd 5987, 5988 (1988); In the Matter of Implementation of Section 9 of the Communications Act, Assessment and Collection of Regulatory Fees for the 1994 Fiscal Year, MM Docket 94-19 ("Regulatory Fees Proceeding"), 9 FCC Rcd 6957, 6967 (1994).

¹² See Application Fees Proceeding, 51 Fed. Reg. 25792, 25798 n.57 (1986); Regulatory Fees Proceeding, 9 FCC Rcd at 6967; see also 47 C.F.R. §§ 1.1112 (application fees), 1.1162 (regulatory fees).

¹³ Application Fees Proceeding, 3 FCC Rcd at 5988.

¹⁴ In concluding that Congress had exempted public television stations from payment of application fees and regulatory fees, the Commission cited the explicit reference to commercial licensees in the statute itself, and the mention of a noncommercial exemption in the congressional reports. Here Congress has not explicitly distinguished between commercial and noncommercial licensees. However, as explained above, the statutory language regarding the purposes of any fee collection program for ancillary or supplementary services plainly is inapplicable to noncommercial educational television licensees that use the revenue from such services to support their mission-related activities.

Congress has placed increasing pressure on public broadcasters to make efficient use of their federal funding and to supplement such funding with new sources of revenue to support their mission. As a result, public television is continually seeking innovative ways to do so.¹⁵ Permitting public television stations to apply the revenue generated from their excess digital spectrum as a source of funding for their mission-related operations (including the costs of the digital transition) is consistent with congressional directives to public broadcasters to make wise use of their limited resources.¹⁶

Imposition of a fee would be counterproductive, detracting from the federal financial support for public broadcasting and placing additional pressure on that support. In effect, imposing a fee where revenue is used to support a public television licensee's mission-related activities amounts to "robbing Peter to pay Paul." By crafting an exemption for public television licensees, the Commission will help ensure that public television is able to provide diverse and innovative educational programming and related services in this century and beyond. Such an exemption

¹⁵ Congressional authorization for public broadcasters to engage in revenue generating activities with certain restrictions was granted in 47 U.S.C. § 399(b).

¹⁶ The Commission's mandate that all public television stations implement digital broadcasting by 2003 imposes a tremendous financial burden on these stations. We estimate that the costs of transitioning public broadcasting stations to digital services (including facilities construction and dual analog and digital operation during the transition) will exceed \$1.7 billion.

The Commission has recognized that public television will need assistance in connection with the transition to digital. In its Fifth Report and Order issued in the digital television proceeding, the Commission noted "the financial difficulties faced by noncommercial stations." Because "noncommercial stations will need and warrant special relief measures to assist them in the transition to DTV," the Commission expressed its intent "to grant such special treatment to noncommercial broadcasters to afford them every opportunity to participate in the transition to digital television." Advanced Television Systems and Their Impact Upon the Existing Television Broadcast Service, Fifth Report and Order, MM Docket No. 87-268, ¶ 101 (rel. Apr. 21, 1997).

would be fully consistent with Congress' continued support for universal access to public television, as well as its strong encouragement to public television to supplement its limited financial resources with non-federal revenue sources.

C. There is No Basis for Concluding That a Fee Exemption for Public Television Licensees Will Have an Adverse Effect on Other Providers of Ancillary or Supplementary Services.

In its request for comments, the Commission has inquired about the possible effect on other providers of ancillary or supplementary services if noncommercial broadcasters are exempt from a fee. There is no basis at this time for concluding that there would be any adverse effect on other providers. Any prediction of such effect during this time of significant change in the delivery of telecommunications services would be pure conjecture. Because the amount of digital spectrum available to public broadcasters to use for revenue-generating ancillary or supplementary services represents a small portion of the total capacity of all television licensees and other providers that would be available for such services in any given market, the economic effect, if any, would be minimal.

In any event, there is no inappropriate commercial benefit to public television licensees where the revenue they receive is used to support their mission-related activities. It is the public who would benefit from public television's ability to apply its scarce financial resources to the delivery of educational services to homes, schools, daycare facilities and job sites.

As explained above, an exemption for public television is clearly appropriate in light of (1) the fact that the statutory purposes clearly would not be served by imposing a fee on public broadcasters that use revenues to support their mission-related activities, (2) the longstanding congressional policy of providing federal

financial support for extending public broadcasting service to all Americans, (3) the limited financial resources available to public television, and (4) Congress' encouragement of public television's development of new revenue sources. These are the points that should govern the Commission's decision on this issue, rather than unfounded speculation about whether public broadcasters might receive some "competitive" advantage from such an exemption.

III. THE FORM OF THE EXEMPTION.

The form of the exemption should be simple and straightforward. Any television licensee that (a) has qualified for a noncommercial educational television license or permit from the Commission, (b) has qualified to receive a community services grant from the Corporation for Public Broadcasting, and (c) uses its revenues from ancillary or supplementary services to support its mission-related activities, should be exempt from paying a fee. To the extent the Commission imposes paperwork requirements in connection with a fee program for ancillary or supplementary services, it should be sufficient for a responsible official of a licensee claiming an exemption to provide a written certification on these points.

CONCLUSION

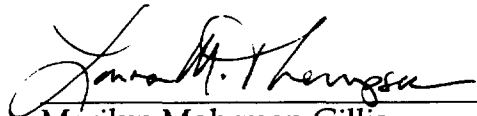
For the reasons stated above, the Commission should exempt public television licensees from any fee assessed in connection with use of digital spectrum for

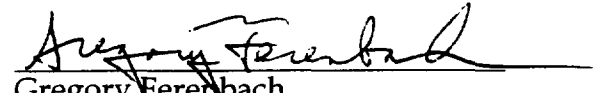
ancillary or supplementary services to the extent revenues from those services are used to support the licensee's mission-related activities.

Respectfully submitted,

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May 4, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

MM Docket No. 97-247

**REPLY COMMENTS OF
THE ASSOCIATION OF AMERICA'S PUBLIC TELEVISION STATIONS
AND THE PUBLIC BROADCASTING SERVICE**

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August 3, 1998

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of)	
)	
Fees for Ancillary or Supplementary)	MM Docket No. 97-247
Use of Digital Television Spectrum)	
Pursuant to Section 336(e)(1))	
of the Telecommunications Act of 1996)	

TO: The Commission

**REPLY COMMENTS OF
THE ASSOCIATION OF AMERICA'S PUBLIC TELEVISION STATIONS
AND THE PUBLIC BROADCASTING SERVICE**

The Association of America's Public Television Stations ("APTS") and the Public Broadcasting Service ("PBS") submit these brief reply comments in response to the comments filed in this proceeding.

1. The Commission in its Notice of Proposed Rulemaking sought comment on the position of APTS and PBS that the rules adopted by the Commission should provide that noncommercial television licensees are exempt from fees on revenue obtained from use of their excess digital spectrum for ancillary or supplementary services. Notice ¶¶ 30-31. In the APTS/PBS comments, we explained why such an exemption for revenue applied to the mission-related activities of public television licensees is consistent with both law and sound public policy. Notably, no commenter opposed creation of such an exemption.

The comments of UCC, et al.¹ state that they "generally support" the requested exemption as a means of funding the noncommercial programming offered by public television. They argue, however, that the exemption should be available only if the ancillary and supplementary services offered by public television licensees are not advertiser-supported. UCC, et al. base this argument on the assertion that public television licensees are barred by statute from offering advertiser-supported services. UCC, et al. Comments, pp. 15-17.

This argument should not be considered in the present proceeding. The Commission has indicated that it will institute another rulemaking for the purpose of considering the permissible uses of the digital spectrum by non-commercial television licensees to offer ancillary and supplementary services. UCC, et al. may present their argument in that proceeding, and APTS and PBS will respond at that time. Here, the only issue raised is whether public television licensees, assuming they at some point do receive some form of revenue from ancillary or supplementary services, should be free to use it to support their mission-related activities. As the APTS/PBS opening comments showed, both the statute and sound public policy dictate that public television licensees should be exempt from a fee on revenues used to support their mission-related activities.

2. UCC, et al. suggest that the Commission recommend to Congress that the Communications Act be amended to allow fees collected under Section 336 to be placed in a fund to support public broadcasting and other noncommercial telecommunications services. UCC, et al. Comments, pp. 17-18. APTS and PBS endorse this suggestion. It is similar in nature to a portion of a proposal APTS, PBS, and the Corporation for Public Broadcasting ("CPB") presented to the Advisory

¹The comments of UCC, et al., dated May 4, 1998, were filed on behalf of the Office of Communication of the United Church of Christ, the Media Access Project, and several other groups.

Committee on Public Interest Obligations of Digital Television Broadcasters in June of this year.

The Advisory Committee was created to consider, among other things, how the public interest impact of digital broadcasting can be maximized. APTS, PBS, and CPB explained in their recommendations to the Advisory Committee that the public interest would be well served by ensuring the long-term financial security of public broadcasting, in particular by creating a trust fund for the educational use of digital technology by public television and radio stations. APTS, PBS, and CPB suggested various sources of revenue for the trust fund, including the fees assessed on revenues derived from ancillary and supplementary services offered by commercial broadcasters on their excess digital spectrum. Of course, that recommendation is separate from, but entirely consistent with, our argument that public television licensees must be exempted from such fees pursuant to the existing statute.

A copy of the APTS/PBS/CPB recommendations to the Advisory Committee is attached hereto for the Commission's consideration. APTS and PBS urge the Commission to take any appropriate steps available to it to further the creation of a permanent trust fund for digital educational programming and services provided by public broadcasting.

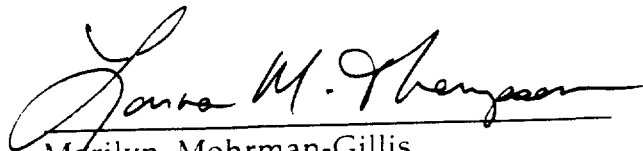
CONCLUSION

For the reasons stated above and in the APTS/PBS opening comments, the Commission should promulgate a rule stating that noncommercial television licensees are exempt from fees on revenue received from ancillary and supplementary services that is used as a source of funding for public television's mission-related activities. The Commission should also consider the recommendations discussed above.

Respectfully submitted,

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August 3, 1998

Certificate of Service

I, Tina T. Butler, hereby certify that I have on this 3rd day of August, 1998, sent via first-class mail, postage prepaid, copies of the foregoing APTS/PBS Reply Comments in the Fees for Ancillary or Supplementary Use of Digital Television Spectrum proceeding to the following:

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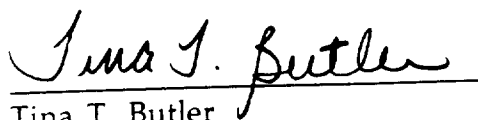
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A handwritten signature in cursive script, reading "Tina T. Butler", written over a horizontal line.

Tina T. Butler
America's Public Television Stations

August 3, 1998



CORPORATION FOR PUBLIC BROADCASTING

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Vice Chairman
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June 4, 1998

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Dear Leslie and Norm:

In an effort to best serve the public interest in the approaching digital broadcasting future, public broadcasting has crafted the attached proposal to assist the Advisory Committee in its deliberations. The proposal advocates the creation of a permanent secure source of funding for public broadcasting. For over thirty years, public broadcasting has been at the forefront of public interest programming, and will continue to be a leader in providing public service to the American public in the new digital environment. The key challenge for public broadcasting is to assure funding for continued and expanded educational, informational, and cultural programming for everyone. Public broadcasting's proposal urges the Advisory Committee to recommend a renewed commitment to public broadcasting by creating an adequately capitalized trust fund that will assure vibrant noncommercial public interest programming and services to fill the broadcast capacity in the digital age.

As you know, other proposals have suggested giving public broadcasters a second channel for public interest programming. The attached paper also discusses the guarantees that must be in place for these proposals to serve the public interest. I am disseminating this paper to the committee members prior to Monday's meeting so we can have a full discussion of public broadcasting's proposal with the entire committee. I look forward to a stimulating and insightful exchange about all of the ideas before the Advisory Committee, so we can craft a blueprint that will benefit the public in the days to come.

Sincerely,

Frank H. Cruz

encl.

**RECOMMENDATIONS
TO
THE ADVISORY COMMITTEE
ON
PUBLIC INTEREST OBLIGATIONS OF
DIGITAL TELEVISION BROADCASTERS**

STRENGTHENING PUBLIC TELEVISION FOR THE DIGITAL AGE

*Presented by
the Corporation for Public Broadcasting, Public Broadcasting Service, and
America's Public Television Stations*

June 8, 1998

RECOMMENDATIONS
TO
THE ADVISORY COMMITTEE
ON
PUBLIC INTEREST OBLIGATIONS OF
DIGITAL TELEVISION BROADCASTERS

STRENGTHENING PUBLIC TELEVISION FOR THE DIGITAL AGE

*Presented by
the Corporation for Public Broadcasting, Public Broadcasting Service, and
America's Public Television Stations*

Three decades ago, the federal government made a signal commitment to a new institution. With the Public Broadcasting Act of 1967, federal policymakers achieved a rare success: they transformed an idea -- a potent combination of vision and creativity -- into a tangible, enduring legislative achievement. By creating an alternative to the purely commercial use of broadcast spectrum, the White House and Congress guaranteed that a portion of the airwaves would be devoted to the public interest.

In the ensuing years, public broadcasters have supported the creation of an abundance of provocative educational and cultural programming and have created an enduring presence in homes, schools, and universities nationwide. Thirty years of service have confirmed the wisdom of the Carnegie Commission and the public servants who were the architects of public broadcasting. Consider these accomplishments:

- Public broadcasters invented educational programming for children;
- They extended the documentary form into a powerful and appealing learning tool;
- They brought the arts to a national audience, regardless of social or economic status; and
- They made history with unflinching coverage of public affairs.

In its role as a laboratory for innovative programming ideas, public broadcasting has also been a wellspring of progress for the commercial media: cable wildlife and science channels, for instance, can trace their lineage to PBS's long-standing series *Nature* and *NOVA*, and C-Span owes its inspiration to PBS's gavel-to-gavel coverage of the Watergate Hearings in the early 1970s.

Public broadcasting continues to lead and innovate as we enter the digital age. PBS has created one of the most popular and highly regarded sites on the World Wide Web, and public broadcasters have developed extensive plans to fill the expanded capacity offered by digital technology with a new generation of educational programs and services.

As the Advisory Committee ponders the role of broadcasting in the digital age, it has the opportunity to reinvigorate this highly successful public-private partnership with the same social imagination displayed by U.S. policymakers a generation ago.

How can the Advisory Committee best accomplish its goal of maximizing the public interest impact of digital broadcasting? *In part, by ensuring a healthier, more expansive public broadcasting system.* In its proceedings to date, the Advisory Committee has considered a number of intriguing proposals for using digital spectrum in the public interest. We recommend that the Advisory Committee draft a blueprint to propel public broadcasting into the next millennium, and that, in the tradition of the Carnegie Commission, it help summon the resources to bring the best technology and content to the nation's homes, schools, libraries and businesses in the future.

Why Public Broadcasting?

As digital technology has penetrated American society, public policy has largely been focused on access to hardware. Important as hardware is, the Advisory Committee should remember that any hope for humane and civilizing use of that hardware will depend upon high quality content. Public broadcasting, the chief instrument in our country for marrying technology to superb content, is well-poised to use digital technology to increase its contribution to the nation and ensure that digital technology serves the public interest.

There are several reasons why this is so:

First, public service is the central mission of noncommercial public broadcasting, not an ancillary obligation.

Public television began as educational television. Today, even though its role has been broadened to serve viewers at home with a wide range of informational and cultural services, the enterprise retains strong links to its instructional past. Many public broadcasting stations are licensed to universities, school districts, or state educational networks, and maintain close cooperative links with educational institutions -- a role not likely to be assumed by

commercial telecasters. Teachers cite public television as their number one source of video teaching materials. PBS beams distance learning telecourses to two-thirds of the nation's colleges and universities; 400,000 adult degree candidates enroll each year in such courses, and tens of thousands of citizens have earned their high school equivalency diplomas through courses offered on public television.

Beyond its instructional efforts, public television has demonstrated its commitment to public service in myriad other ways. Local stations televise legislative sessions, city council meetings, and school board deliberations. Public broadcasters in recent years have readily provided free time for statements by presidential candidates. In 1996, PBS and its member stations launched national and local election-year debates by congressional leaders and candidates in the hope that these new debates will take their place alongside Presidential candidate debates as regular national events.

Because of such long and highly visible service, public broadcasting has become an esteemed national institution. A recent Roper poll, for example, revealed that Americans rate public radio and public television as second and third in terms of value they receive for their tax dollars. By strengthening public broadcasting, the Advisory Committee can achieve bold, tangible progress in service to the public interest -- without the difficulties of attempting to coerce commercial broadcasters into assuming obligations they may vigorously resist.

Second, public broadcasters are already well advanced in their plans to deploy digital spectrum in the public interest.

An exhaustive planning process involving all of the major public broadcasting organizations has already produced a strategy that envisions separate digital programming streams for a variety of educational and public service purposes. During the day, local stations intend to "multicast" specific channels -- devoted, for example, to children's programs, K-12 instruction, adult education, or local news and public affairs. Public broadcasters are preparing to accompany their programs with related data that will enhance their educational impact, as well as increase viewer enjoyment. In prime time, PBS intends to bring a portfolio of documentaries and cultural programs to a universal audience in brilliant high definition pictures with CD-quality sound. In short, digital technology provides a delivery mechanism that allows public broadcasters to enlarge, deepen, and intensify their mission.

Third, public broadcasters have abundant content to deliver through digital systems -- and the capacity to create more.

Like a library with limited shelf space, public broadcasting already has a wealth of good material sitting in storage. Digital television, with its promise of expanded "electronic shelf space," will allow public broadcasters to break free of today's technological limits on the amount and variety of educational programming they can provide to the nation. DTV means that technology can now catch up with our mission. It means more instructional programming, more wholesome children's programming, more documentaries, more of the arts, more and better public service.

Although the digital age is still new, PBS is already a leader in distributing valuable program-related and stand-alone data -- PBS ONLINE, teacher training programs like PBS MATHLINE, curriculum materials, and literacy instruction using new media as distribution channels. What is most needed now are the resources with which to program the new digital spectrum.

Fourth, the federal government has made a major investment in public broadcasting -- an investment that it should protect and extend.

Since 1967, federal funding has helped build public broadcasting into a major national resource with a highly sophisticated satellite-based distribution system. Expanding and extending the mission of public broadcasting will protect the current assets and ensure a continuing return on this major national investment. It will also preserve the most natural and accessible "entry ramp" for public-service uses of the Information Superhighway.

Fifth, public broadcasters have a tradition of leadership in technology development.

Not only is public broadcasting's national infrastructure well established; its managers, technicians, and engineers also possess a wealth of experience in using broadcasting, satellite networks, DBS, cable, datacasting, closed captioning, interactive video discs, and the Internet to reach homes, classrooms, and businesses.

In an earlier era, public broadcasters developed such innovations as satellite broadcasting, closed captioning for the hearing-impaired, and the supplementary audio channels for the blind. PBS administered the Advanced Television Testing Center during the development of digital TV, and its member stations played an active role in developing the digital transmission standard

and testing the various forms of digital technology. Public broadcasters were the first in North America to develop all-digital networks and technical facilities, and PBS was the first to distribute a continuous high-definition television feed. PBS ONLINE is a widely acclaimed leader in providing innovative educational content on the World Wide Web and PBS National Datacast is an industry leader in delivering data via broadcast airwaves.

In short, public broadcasting provides not only the best, but perhaps the only existing vehicle for the federal government to use in advancing nationally the educational uses of digital technology.

A Trust Fund for the Digital Future

Although the coming digital future offers many opportunities for lively debate, it should be easy to agree on one point: a strong, well-financed and independent public broadcasting sector will be needed if the new digital broadcast spectrum is to serve the public well. As channels and choices multiply, most will be commercially supported, and any public services the commercial channels offer will necessarily be subordinate to their overriding and central need to return revenues to shareholders. This makes it essential to sustain the public role of CPB, and to support a strong and vibrant public radio and television service whose sole mission is nonprofit public service.

As the Advisory Committee considers different approaches for strengthening public broadcasting, we offer one primary proposal, intended to supplement and complement ideas already under consideration. *It is that Congress establish and adequately capitalize a permanent trust fund for digital educational programming and services provided by public broadcasting.*

Since the best way to guarantee and advance the public interest uses of digital spectrum is to ensure the long-term financial security of public broadcasting, we propose a trust fund for the educational use of digital technology by public television and radio stations. The fund would support educational programming for multicast channels, high definition cultural programming, data services, new children's initiatives, new services to previously underserved audiences, and local public-service programming. Sources of revenue for the trust fund might include the following:

- Proceeds from the auction of returned public television analog spectrum (redirected from deficit reduction).
 - Proceeds from the future auction of *analog* spectrum.
-

- Compensation from commercial broadcasters who choose to pay public broadcasters to fulfill part of their public interest obligations (not all obligations should be subject to the option, however);
- Fees assessed upon revenues derived from commercial broadcasters' ancillary and supplementary digital services;
- A transfer fee placed on the sale of commercial licenses;
- Proceeds from the sale or lease of noncommercial vacant allotments that are currently reserved or will be reinstated at the end of the digital transition; and
- Private contributions motivated by new tax incentives, such as a charitable contribution credit, rather than a deduction.

The national goal should be to establish a fund of *at least* \$5 billion -- principal sufficient to provide seed money for public broadcasters' new digital programs and services. Once an adequate level of principal is achieved, annual federal appropriations for public broadcasting could perhaps be discontinued. After the fund is fully capitalized, ongoing revenues could be contributed to the trust fund or set aside for special public broadcasting projects, such as new children's services, local production, or programming for underserved audiences.

This trust fund proposal is separate and distinct from public broadcasters' pending request that the federal government assist in the one-time cost of equipment needed for the transition to digital broadcasting.

Retention of Public Broadcasters' Analog Spectrum

Beyond securing funding for public television, Media Access Project and A.H. Belo Corporation have proposed allowing noncommercial stations to retain their analog spectrum allotment for use as a public interest channel. Though this idea is inherently appealing because spectrum is a valuable asset, we recommend approaching it with caution.

In a digital world where broadcasting options will quadruple, the key public interest challenge is securing the funding needed to fill this broadcasting bandwidth with programs of quality and substance that will reach a wide national and local audience. Public broadcasters can only encourage this proposal if there is some guarantee of content protection consistent with First Amendment principles, and with the assurance of an adequate, secure and

permanent source of funding to program and operate a second channel. Any funding mechanism would require multiple sources. For instance, the value of fees imposed on commercial broadcasters' ancillary and supplementary services is speculative and would likely be insufficient to underwrite the costs of equipping and operating a second channel.

Another idea under discussion is the creation of new digital services by new players – libraries and universities, for example. While access to the airwaves is a laudable goal, access alone is not enough. To create programming that people will choose to watch in today's highly competitive media environment requires broadcasting experience, editorial skill, technical expertise and promotional knowhow, along with considerable financial resources. Public broadcasting, with its wealth of operational expertise and sophisticated infrastructure, is best positioned to partner with libraries, universities, and other nonprofit groups to deliver new and expanded digital programs and services.

If the Advisory Committee decides to recommend the retention of public broadcasters' analog spectrum allotment for use in the public interest, the best conceivable way to success is to use the existing on-ramp to the Information Superhighway. As we noted earlier, public broadcasters are already working to deploy digital technology for education. They are focusing their efforts on expanding services in four areas: early childhood services; technology integration into K-12 education; work force education/training; and digital service accessibility. Examples of the types of public services that public broadcasting could provide with a second channel include the following

- working with local schools, colleges, universities, and other educational institutions to engage in an even broader range of educational services;
 - partnering with libraries, museums, and other cultural institutions to expand distribution of digital information to local communities;
 - providing greater access to telecommunications services for the unserved and underserved populations who, because of economic, geographic, physical, cultural or language barriers, have been left behind by the commercial marketplace;
 - providing more free air time for national and local political candidates and parties;
 - working with state and local governments to provide greater access to local civic affairs; and
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- providing opportunities for independent program producers to expand their offerings.

For these reasons, we strongly suggest that strengthening and renewing the nation's existing infrastructure for public service broadcasting would be a far more hopeful strategy than attempting to create something resembling "digital public access." Encouraging existing broadcasters to strengthen their ties and deepen their relationships with other public service institutions -- libraries, universities, museums, and schools, for example -- will yield more than trying to reinvent this wheel.

Guaranteeing Public Service

A federal commitment to a prominent role for public broadcasting in the digital age, demonstrated by secure funding, would provide the only reliable guarantee that the public's digital spectrum will truly serve the public interest. Strengthening public broadcasting will maximize the educational impact of digital television far more readily than imposing additional operational mandates on reluctant commercial broadcasters whose primary obligation is to shareholders and not the public at large.

Most important, assuring a vibrant, independent, well-financed public broadcasting system in the digital age will encourage the world's greatest creative minds -- educators, filmmakers, writers, artists, and journalists -- to join in fashioning exciting new content and a new generation of telecommunications services for the American people.

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